

GULF OF ALASKA RATIONALIZATION

Proposed Amendment to the Fishery Management Plan for the Groundfish of the Gulf of Alaska

Scoping Guide to the Gulf of Alaska Rationalization Supplemental Environmental Impact Statement (SEIS) (Full Version)



Photo : Kodiak Harbor, NMFS

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1.0 INTRODUCTION

The North Pacific Fishery Management Council (Council) is considering management measures to the Secretary of Commerce (Secretary) intended to improve the economic efficiency of the fisheries managed under the Fishery Management Plan for the Groundfish of the Gulf of Alaska (FMP). Under the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act), the Council has the responsibility to prepare fishery management plans for the fishery resources in the Exclusive Economic Zone off Alaska, and recommend specific management measures to the Secretary. The National Marine Fisheries Service (NMFS) is the Federal agency representing the Secretary.

The Council is considering “rationalizing” the Gulf of Alaska (GOA) groundfish fisheries. Rationalization may be defined as the process of improving the economic stability to the various participants in the fishery. These participants may include harvesters, processors, residents of fishing communities. The Council is considering these new management at the request of the GOA groundfish industry to address increasing concerns about the economic stability of GOA groundfish fisheries due to changing market and stock abundance conditions, increasing concern about the long-term economic health of fishing dependent communities, and the limited ability of the fishing industry to respond to environmental concerns under the existing management regime.

The Council may consider significantly changing the current management structure of the FMP by allocating fishing or processing privileges such as: individual fishing quotas (IFQs); individual processing quotas (IPQs); allocations to communities; and fishing cooperatives. Alternatively, the Council may choose to modify the existing License Limitation Program (LLP), or maintain the existing management structure. A variety of management approaches have been discussed by the Council and its committees in during the past three years. Any of these measures could affect numerous aspects of the GOA groundfish fisheries in terms of the timing, methods, number and type of vessels and processing facilities participating, and location of fishing and processing operations used to harvest and process GOA groundfish fisheries. These changes may result in a significant effect on the “human environment” which includes the natural and physical environment and the relationship of people with that environment.

Under the National Environmental Policy Act (NEPA), the Council must consider the potential environmental impacts of proposed actions and possible alternatives to a proposed action that may have a significant effect on the human environment. Rationalization may significantly affect the human environment and is subject to the requirements of NEPA. Given the scope and magnitude of possible effects of rationalization, the controversy surrounding the issues, and the uncertain outcome of rationalization, the Council and NMFS are preparing a supplemental environmental impact statement (SEIS) for GOA groundfish rationalization. This SEIS will build on the broader Programmatic SEIS which addresses all groundfish fisheries in the Gulf of Alaska (GOA) and the Bering Sea/Aleutian Islands Management Area (BSAI) (NMFS 2001).

An EIS is a detailed statement that examines the potential impacts of the proposal and any reasonable alternatives that may be considered by the Council. An EIS provides the public with a formal and predictable process to give input to the Council on such a complex and controversial topic. Through the NEPA process that the public can comment on and help develop the scope, alternatives, and recommend specific issues for analysis. The SEIS will be instrumental in providing the Council with information necessary for informed decisionmaking. The decision to implement any new programs remains with the Council and NMFS, the SEIS will assist the Council as it considers the need for any action under the Magnuson-Stevens Act.

In April 2002, the Council requested that NMFS publish a notice of intent (NOI) to prepare a SEIS to begin the EIS process for GOA groundfish rationalization. The NOI formally begins scoping—the process of gathering input from the public on the nature and extent of the issues and alternatives that the SEIS should address. The NOI was published in the *Federal Register* on May 29, 2002 (67 FR 37393). The NOI describes how the public can become involved in the SEIS through written comments, and a series of public scoping meetings being held in Alaska and Washington (Box 1).

BOX 1: Public Scoping Meetings for GOA Rationalization SEIS

In addition to regularly scheduled Council and GOA Working Group meetings, and written comments, the public can also attend public scoping meetings at the following locations and times to provide comments.

<u>Day</u>	<u>Time</u>	<u>City</u>	<u>Location</u>
August 17	9:00 a.m. - 12:00 noon	Sand Point, AK	Aleutians East Borough Office, 100 Mossberry Lane
August 18	9:00 a.m. - 12:00 noon	King Cove, AK	King Cove Harbor House, 100 Harbor Road
August 23	1:00 p.m. - 4:00 p.m.	Kodiak, AK	Fishery Industrial Technology Ctr., 118 Trident Way
September 16	5:00 p.m. - 8:00 p.m.	Cordova, AK	Cordova City Library Meeting Room, 622 First Street
September 24	2:00 p.m. - 5:00 p.m.	Homer, AK	Best Western Bidarka Inn, 575 Sterling Hwy
September 26	3:00 p.m. - 6:00 p.m.	Petersburg, AK	City Council Chambers, 12 Nordic Drive
October 1	6:00 p.m. - 9:00 p.m.	Seattle, WA	Doubletree Hotel–Seattle Airport, 18740 Pacific Hwy.

This scoping document is designed to provide the public with:

- Background on GOA groundfish rationalization and Council discussions so far
- Developments in the fisheries that have led to the current proposal
- An overview of the major alternatives identified so far and their and possible impacts
- Key issues that may be addressed in the SEIS
- How to provide input to NMFS and the Council.

The information presented here is designed to guide and elicit public comment. However, the issues presented in this document do not represent the full range of alternatives or the potential effects of the alternatives. The final range of alternatives will be developed by the Council as a result of public scoping and additional Council discussion. Public comment is encouraged on the scope (Box 4), issues (Box 5), and alternatives (Box 6) to be addressed in the SEIS. Additional information on all of the topics addressed in this document are available through the Council or NMFS (See Box 7 for contact information).

2.0 ELEMENTS OF RATIONALIZATION

What is Rationalization?

The Council initiated this SEIS to analyze the potential effect of changes to the current management measures to improve the economic efficiency of the GOA groundfish fishery. This is referred to as rationalization. Generally, a “rationalized” fishery is one in which the capital investment in the fishery is balanced with the amount of fish that can be harvested and processed conservatively and efficiently. Rationalization implies that adoption of management measures would prevent or reduce capital investment in the fishery and may also provide greater flexibility to address a variety of economic, social, and conservation concerns. The degree of capitalization that is acceptable in a fishery is a matter of perspective among individuals, however, actions by the Council indicate that most participants in the industry believe that the fishery has excessive capitalization, or “over-capitalization” and is less efficient than desirable. A specific definition of “rationalization” has not been adopted by the Council.

Some consider rationalization to be a form of allocation of specific individual harvesting, or processing, privileges. Such privileges could be designed to prevent a “race for fish” – the competition between fishery participants to harvest or process the fishery as quickly as possible before the fishery is closed. A “race for fish” typically leads to an ever increasing harvesting and processing capacity and shorter fishing seasons. The allocation of individual privileges can minimize or eliminate this potential competition. A simple limited entry system does not necessarily prevent a race for fish, but it does define the group of persons who are in the race. It may not be considered rationalization. However, this understanding of “rationalization” is not uniform among all participants.

Most important for this process is the fact that the Council has recognized the need to address certain perennial problems in GOA groundfish management. The Council has adopted a Problem Statement defining the need for possible new management measures (See Box 2).

¹ Generally, this term implies the investment in gear, processing equipment, vessels, or other technology which is designed to maximize the ability of a vessel or processor to maximize their harvesting or processing capacity in as short of a time as possible. This condition exists where the number of participants and technology available in a fishery induces a high degree of competition among participants. The economic value that could be derived from the fishery is not maximized, and instead the fishery often requires constant and costly investment in order to remain competitive.

**BOX 2: Proposed Problem Statement for Gulf of Alaska Groundfish Rationalization – April 2002
(Council Version)**

Increasing participation in the Gulf of Alaska fisheries, as well as increasing catching and processing capacity, have intensified the race for fish with the attendant problems of:

- reduced economic viability of the harvesters, processors, and GOA communities
- high bycatch,
- decreased safety,
- reduced product value and utilization,
- jeopardy to community stability and their historic reliance on groundfish fishing and processing,
- limited the ability of the fishery harvesters and processors to respond to changes in the ecosystem
- limited the ability to adapt to Magnuson-Stevens Act (MSA) requirements to minimize bycatch and protect habitat,
- limited the ability to adapt to changes to other applicable law (i.e., Endangered Species Act).

All of these factors have made achieving Magnuson-Stevens Act goals difficult and force reevaluation of the status quo.

Additionally, the Council has adopted a series of objectives that any new management measures should address. Those objectives are detailed in Box 3.

**BOX 3: Objectives for Gulf of Alaska Groundfish Rationalization – April 2002
(Council Version)**

1. Maintain the character of an independent harvester fleet while allowing for meaningful reduction of excess capacity.
2. Foster a healthy, competitive processing and harvesting environment.
3. Protect the harvesting, processing, and community sectors from losing the relative value of their existing investments.
4. Maintain the relative market balance between the harvesting and processing sectors.
5. Provide opportunities for Gulf of Alaska coastal communities to benefit from rationalization programs.
6. Consider historic and recent participation for allocating the benefits of rationalization to all three sectors.
7. Maintain and encourage participation in rationalized fisheries by active holders of quota shares, catch histories, or licenses.
8. Effectively control excessive consolidation and vertical integration by all sectors.
9. Consider the status of skippers and crew.
10. Provide entry level opportunities for individuals.
11. Meet Magnuson-Stevens Act requirements, including conservation requirements.
12. End the race for fish and improve the economic viability of harvesters and processors.

The public may wish to comment on whether the problem statement (Box 2) adequately describes the need for initiating this proposed action, and whether the objectives (Box 3) encompass the range of issues that should be considered. What are the problems facing the fishery that the proposed action is trying to address?

History of Rationalization Efforts

The Council has attempted to improve the economic efficiency of GOA groundfish fisheries over the past 25 years. The groundfish, crab, and halibut fisheries in the North Pacific evolved rapidly with the expansion of the domestic fleet after the establishment of the Exclusive Economic Zone and the Magnuson-Stevens Act in the mid-1970's. Concern over excessive harvesting capacity is a recurrent theme dating back to the early 1980's. In particular, industry and managers became concerned that overcapitalization was occurring due to increasing competitive pressure to maximize harvesting or processing in as short of a time as possible– the “race for fish.”

By September 1987, the Council adopted a statement that it was “committed to pursue alternate management methods that will ... achieve more productive and rational effort and harvest levels in the groundfish fishery (NPFMC 1992).” In June 1991, the Council initiated development of a comprehensive plan to rationalize the GOA and BSAI groundfish and crab fisheries. This comprehensive rationalization plan (CRP) identified several tools that could be used to reduce overcapitalization and end the race for fish, including some of those tentatively identified as alternatives for this SEIS (See Section 3.0). In particular, in September 1991, the Council noted its intent to use IFQs as “the primary management scheme for resolving the allocation problems in the fishery under its authority (NPFMC 1992).”

Although the Council never recommended a CRP to the Secretary, it has adopted numerous measures over the past ten years that address some of the concerns raised through the CRP process. In particular, the recommendation and approval of the Vessel Moratorium Program, the Halibut and Sablefish IFQ Program, the License Limitation Program, and the passage of the American Fisheries Act have all contributed to a step-wise approach toward the Council’s commitment to the overall rationalization process (NPFMC 2002). Figure 1 provides an overview of those actions.

Recent Developments in GOA Groundfish Rationalization

Efforts to rationalize GOA groundfish has been accelerated due to several developments over the past several years, particularly:

- a continuing concern about increasing participation, excessive capacity and the resulting “race for fish” in GOA groundfish fisheries;
- additional management restrictions in response to ongoing concerns about the potential impact of groundfish fisheries on the endangered Steller’s sea lion;
- Increased effort by vessels in the GOA Pacific cod pot fishery by vessels displaced from the BSAI crab fishery due to diminished resources;
- potential additional habitat conservation requirements; and
- the passage and implementation of the American Fisheries Act which may have improved the competitive advantage of a segment of the groundfish fishery.
- decreasing profitability in a number of State-managed fisheries over the past decade (e.g., salmon, herring) and increasing the reliance on groundfish resources.

These developments encouraged the Council to form a GOA Cooperative Committee in June 1999 to review options for GOA groundfish management. The Committee met from June 1999 through June 2000. The committee recommended rationalization proceed through a GOA FMP amendment that would supercede any proposed action to modify the LLP. In December 2000, the Council appointed a revised GOA Rationalization Committee. However, this second committee recommended incorporating a recency requirement on the existing LLP as a short-term measure before a complete rights-based rationalization program. This committee also recognized potential conflicts occurring within state waters during the federal fishery season and recommended a problem statement on GOA rationalization (NPFMC 2002). In April 2001, the Council adopted this problem statement, and then in June 2001, adopted a similar “vision” statement. The GOA Rationalization Committee did not reach consensus on a specific approach to address current management concerns or rationalization.

In February 2002, the Council formed a third committee, the GOA Working Group, to provide more focused discussion and recommendations to the Council. The GOA Working Group has met in March and May 2002 and discussed a range of issues, reviewed fishery harvest data, revised the previously adopted problem statement, and recommended the initiation of an SEIS for a proposed rationalization action. The Council adopted the GOA Working Group’s revised problem statement and recommendation to initiate an SEIS.

In addition to the series of Council committee’s, members of the fishing industry and environmental organizations have prepared, presented, and discussed numerous alternatives to rationalization over the past three years. While the suite of potential approaches to rationalization are too numerous to list completely, recent examples include:

- the adoption of a voluntary cooperative pilot program in the Western and Central (including West Yakutat) Gulf of Alaska combining elements of IFQs and IPQs;
- IFQs for all groundfish species in the Western and Central (including West Yakutat) Gulf Pacific cod fisheries;
- A combined IFQ and IPQ (“two-pie”) program for all groundfish species in the Western and Central GOA.

All of these proposals have included numerous provisions and requirements detailing the distribution of quota; incorporation of various communities, skippers, crew members; bycatch considerations; habitat conservation; and other factors. However, at this point there does not appear to be a single widely supported alternative for rationalization. The public process associated with preparing this SEIS may help to provide the Council with additional guidance on the scope and range of alternatives as it moves forward on this controversial and complex topic.

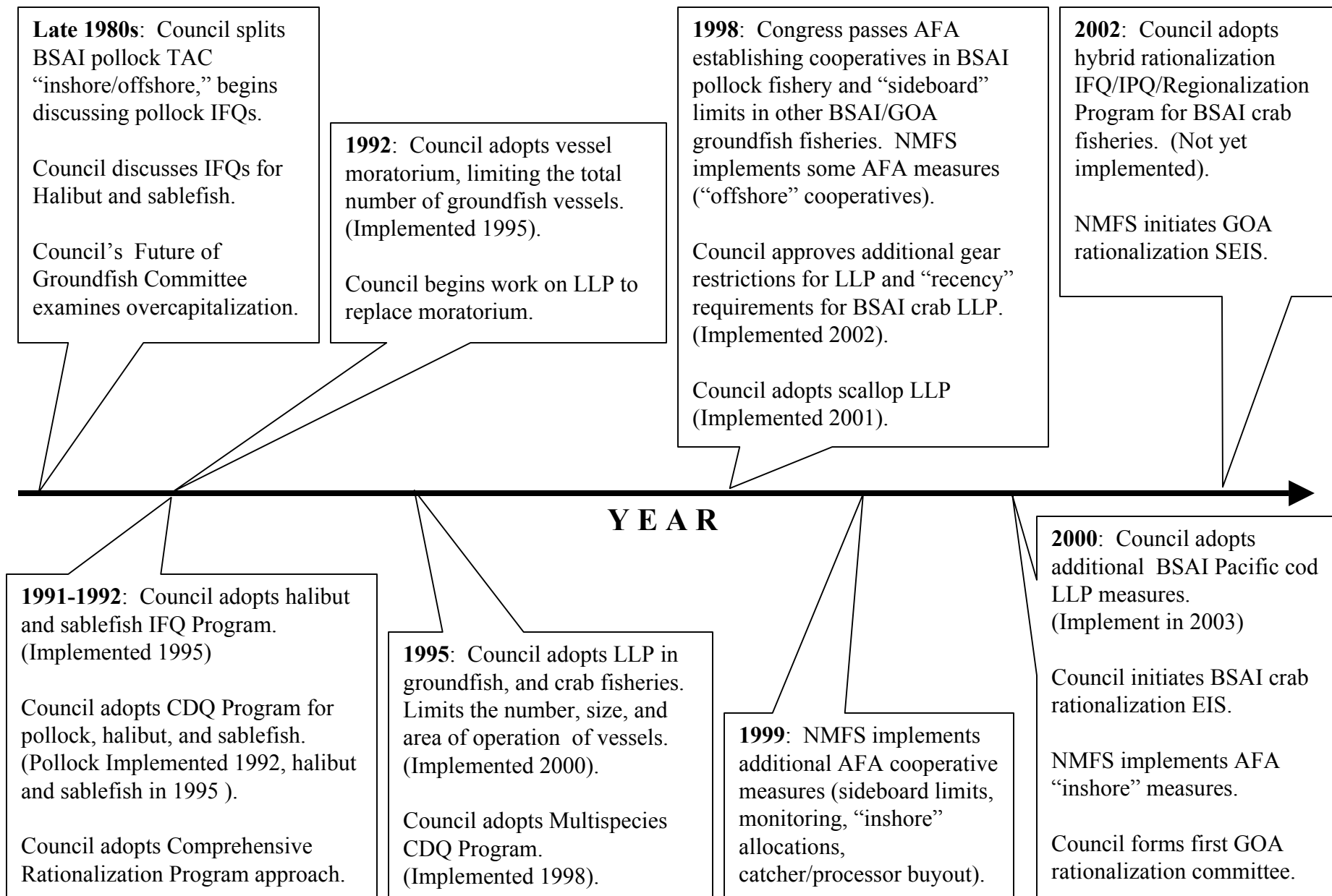


Figure 1: Major Milestones in Rationalization

3.0 NEPA AND THE GOA RATIONALIZATION PROCESS

How does the SEIS fit in with the Council Process?

The SEIS is a document required by NEPA. It is designed to provide decision makers, in this case the Council and NMFS, with informed decisions on the potential effects of a proposed action on the human environment. The SEIS must look at the direct effects of the action, indirect effects, and the cumulative impact of the action when considered with other actions affecting the fisheries. Equally, the SEIS enhances the ability of the public to participate in the decision making process. Ideally, the NEPA process begins soon after there is a proposed action by a Federal agency—in this case the Council’s proposal to improve the economic efficiency of the GOA groundfish fisheries. Given the broad range and controversial nature of this issue, the SEIS will provide the decisionmakers (the Council and NMFS) with public input and analysis on:

- The *scope* of the proposed action
 - The geographic areas and fisheries should be addressed
- The range of possible *alternatives* to achieve the proposed action
 - — The types of approaches should be taken to meet the goals of the proposed action.
- Specific *issues* that should be considered in decision making.
 - The types of possible effects that should be analyzed (e.g., effects of the proposed action on marine mammals)

Scoping gathers public input on the scope, alternatives, and key issues. *The scoping process is currently scheduled to end on November 15, 2002.* A summary scoping report will be presented to the Council during their December 2002 meeting, unless the scoping period is extended. Ultimately, the Council will recommend the scope, alternatives, and key issues to be analyzed and prepare the SEIS in consultation with NMFS. The following section details the proposed action as it has developed so far in the Council discussions.

Scope of the Proposed Action

Based on preliminary discussions that have occurred over the past three years, and the initial recommendations from the Council’s current committee—the GOA Working Group, the scope of the proposed action is:

- Rationalization of all GOA groundfish species excluding the sablefish IFQ fishery

There have also been discussions about exempting groundfish fisheries in Southeast Alaska Outside waters—that is, those fisheries in the EEZ that are East of 140 degrees W. long. Several industry representatives and the GOA Working Group have stated that the limited groundfish harvests and stocks in those regions do not warrant changing the existing management structure. Additionally, there is not yet consensus on whether all species of groundfish should be included or whether certain groups such as sharks, skates, octopus, or “other” species including a range of

groundfish not commercially harvested or presently incorporated in the FMP should be included or exempted in any potential future rationalization efforts. *Box 4 provides some suggestions for public comment on the scope of the SEIS.*

BOX 4: Topics for Public Comment – Scope of Action

The public may wish to comment on the scope of the proposed action. Some ideas for consideration:

- Should all species of groundfish be included or just some? If so why, or why not?
- Should all gear types be included?
- Should both target and bycatch species be included?
- Should fisheries harvested within State waters during the Federal fishery be included?
- Should certain regions of the GOA be excluded from rationalization, or other management alternatives (e.g., Southeast Alaska), if so, why or why not?

Range of Alternatives

The three alternatives identified so far include:

- a rationalization program (i.e., rights-based management alternative)
- a modified Licence Limitation Program; and
- the existing management measures (status quo).

The specific options for a rationalization program identified thus far include the use of IFQs, quotas held by communities, fishing cooperatives, and IPQs. These tools could be applied either separately or in combination. The ability to combine these options would effectively provide multiple “alternative” rationalization programs. The NOI interprets rationalization as a rights-based management program – the common, though not exclusive, interpretation of this term within the Council process.

Specific options for rationalization are derived from preliminary discussions by three separate Council committees tasked to address this issue, recommendations from the Council’s Advisory Panel, and the Council. In addition, the Consolidated Appropriations Act of 2001 (P.L. 106-554) requires the Council to examine the fisheries under its jurisdiction, particularly the Gulf of Alaska groundfish fisheries, to determine whether rationalization is needed and describes management measures that should be analyzed. This Act also specified that this report should analyze “individual fishing quotas, processor quotas, cooperatives, and quotas held by communities.” The following section provides a brief review of the specific options, and some key issues that may be considered for public comment.

Rights-based Management Alternative with Possible Options

Individual Fishing Quotas (IFQs)

IFQs have been used extensively throughout fisheries management worldwide, and in the Pacific halibut and sablefish hook-and-line fisheries managed by the Council. An IFQ allocates a certain and fixed percentage of the total allowable catch (TAC) to individual fishermen, vessels, or other eligible recipients based on defined qualifying criteria. By allocating a fixed percentage of fish, operators can tailor their operations to take advantage of this certainty and avoid costly and inefficient race for the fish. IFQs may allow fishery participants to address other conservation or management considerations through the ability it provides to decide when and how to fish.

A detailed description of IFQs and consideration of their use as a management tool is provided in the National Research Council report *Sharing the Fish* (NRC, 1999a – available on the web at <http://www.nap.edu>). The NRC notes several advantages and disadvantages to IFQs as a fishery management tool, including:

Advantages

- highly effective in reducing overcapitalization and the race for fish
- improved safety
- providing a better quality product
- provides an opportunity to utilize better handling and fishing methods reducing bycatch
- potentially reduces gear conflicts

Disadvantages

- concerns about fairness of the initial allocation of quota share.
- potentially adverse effects on processors
- increased costs for new fishermen to gain entry to the fishery
- consolidation of quota share
- effects of leasing
- elimination of vessels and crew through consolidation
- equity of gifting a public trust resource.

Generally, many of the potential disadvantages of IFQs arise from the initial allocation process, and their effectiveness in removing excess capacity. The NRC report notes that the initial allocation process is likely the most controversial aspect of any IFQ program. The NRC also notes that IFQs are generally more successful when the TAC can be specified with reasonable certainty, improving economic efficiency and reducing capacity is a high priority for managers, broad stakeholder support and participation is present, the fishery can be cost-effectively monitored and enforced, adequate data exist to monitor and manage the fishery, and “spillover”²

² Spillover occurs when restrictions in one fishery result in the shifting effort into other fisheries by displaced capital, harvesting or processing capacity. This shift occurs when fishing vessels and processing equipment can transfer among fisheries without incurring significant costs or other restrictive barriers (e.g., caps, prohibitions, limits on harvest, etc...)

effects on other fisheries is recognized and minimized (NRC 1999a).

Within the North Pacific, IFQs in the Pacific halibut and sablefish hook-and-line fisheries were awarded to vessel owners, or lessees, based on their historic catch history. Recently, the Council has recommended expanding the range of quota holders to allow non-profit entities representing qualified communities to hold quota share and lease out the IFQ to community residents (Amendment 66 to the GOA FMP – available through the Council website at: <http://www.fakr.noaa.gov/npfmc/>). Generally, the Council has sought to expand the range of initial recipients of quota share programs beyond vessel owners to include a broader range of fishery participants in recent quota share programs. Allocations to communities, crew members, skippers, and other fishery participants have been considered in recent Council discussions on IFQ and other quota-based programs. This evolution is perhaps best represented in the Council's recent recommendations to rationalize the BSAI crab fisheries through the allocation of various quotas to several participants in the fishery including vessel owners, skippers, crew, and processors (available through the Council website at: <http://www.fakr.noaa.gov/npfmc/>).

Quotas Held by Communities

Essentially, quota held by communities operates as individually held IFQ, however, the recipient is defined as a specific group of people. In the North Pacific, the most familiar example of this concept is the CDQ Program which allocates a percentage of groundfish, crab, and halibut resources in the BSAI to six regional groups representing 65 communities in western Alaska. The quota held by these community organizations is either leased to community residents—typically for traditionally harvested species such as halibut—or to other vessels that harvest the quota on behalf of the regional community organizations (NRC 1999b). There is not a specific allocation to each community, but to entities representing self-organized groups of communities.

Allocations to communities may address some social considerations that may not be accomplished through the typical patterns of allocating IFQs to individual vessels or vessel operators. Generally, a “community” has been interpreted as a group of people living in a specific geographic location. The Magnuson-Stevens Act defines the term “fishing community” as a community “which is substantially dependent on or substantially engaged in the harvest or processing of fishery resources to meet social and economic needs and includes fishing vessel owners, operators, and crew and United States fish processors that are based in such a community.” Some have suggested a community could also consist of a “virtual community” where fishermen hold collective and common property interests in a fishery, but do not necessarily reside in a shared fixed location (Munro et al., 1998). That interpretation of a “community” has not been used by the Council in its consideration of community quotas.

Allocations of quota to communities could serve to meet concerns about employment in rural regions, maintain existing harvest and processing patterns, or to address social concerns such as providing for a continuing access to a resource that has been important for cultural or subsistence reasons. Defining what constitutes a community eligible for quota share, what type of allocation

that community should receive, and how it would be administered within a community are important concepts for the consideration in any allocation of quota to communities. Fundamentally, a community quota share is a redefinition of what constitutes an eligible quota share holder under an IFQ or rights-based management program.

Cooperatives

IFQ fisheries have proven controversial due to the complexities of implementing and allocating quota share and some fisheries rationalization efforts have sought to address these concerns through private contractual arrangements in cooperatives. Examples of cooperative management include the offshore Pacific Whiting fishery under the jurisdiction of the Pacific Fishery Management Council, cooperatives formed under the American Fisheries Act in the North Pacific BSAI pollock fishery; and a voluntary cooperative formed by vessels in the North Pacific scallop fishery.

In the case of both the Pacific whiting cooperative and the AFA, a defined set of fishery participants received a fixed allocation of fishery resources. With the Pacific whiting fishery, this allocation was to a relatively small number of vessels participating in the catcher/processor “offshore” fishery. With a defined set of participants and this sector allocation, the four companies involved in the offshore whiting fishery negotiated privately and agreed to a distribution of share percentages among the participants (Sullivan 2000). In this case, there was not an allocation to individual vessels, and the benefits of rights-based management were realized only once this private contract was in effect. In other words, an allocation was made to a small well-defined group of participants which then allocated individual harvest privileges among its members privately without a specific individual allocation by the Pacific Council.

The AFA differs from the whiting cooperative in that there were allocations to three broad sectors: an “offshore sector” consisting of catcher/processors, motherships, and an “inshore sector” comprised of vessels delivering to inshore processing plants. In the catcher/processor and mothership sector the allocations are made at the sector level and individual companies or vessels negotiate the division of profits and obligations contractually. There is not a specific allocation to an individual vessel. For the inshore sector, the AFA allocated quota share to vessels within a cooperatives organized around a fixed number of processing plants. Essentially, the vessels in the inshore cooperatives are allocated quota which could be used in private contractual arrangements only when the cooperative forms according to specific criteria set out in the AFA including delivery obligations, and limits on processing by a given entity. These criteria limit the nature and range of the private contractual agreements that may occur within the cooperative. This requirement sought to address concerns raised by processors that the formation of cooperatives would economically disadvantage them during price negotiations unless they received compensation through a restricted processing class.

A cooperative formed in the North Pacific scallop fishery after the implementation of a license limitation program for the fishery. Due to the relatively small number of participants in the fishery after the implementation of the LLP, vessel owners decided to form a voluntary

cooperative to harvest scallop. This cooperative was formed under the Fishermen's Cooperative Act of 1934. Unlike the Pacific whiting and the AFA cooperatives, there is no allocation to a specific sector. It is strictly a voluntary private agreement.

Depending on their specific structure, cooperatives may also incorporate elements that address concerns of communities, crew, skippers, and processors. Because the benefits of rights-based management are not effective until the cooperative arrangements are negotiated by private parties, some of the potential controversies of the initial allocation may be reduced. At the same time, since the nature of the "right" in the cooperative is less clear, it may not offer the same market value as an IFQ.

Processor Quota Share

Early in the discussions of the CRP, processors expressed concerns about the potential impact of IFQs on processors (e.g., Plesha, 1993). During its review of IFQs, the NRC noted that:

Just as the harvesting sector is overcapitalized in some fisheries, so too is the processing sector. Some processors told the committee that they have been adversely affected by the introduction of an IFQ program or would be harmed by potential programs. Others benefitted or were not greatly affected. Adversely affected processors assert that harvester-only IFQs may result in stranded capital, lower profitability, and significant impacts on isolated rural communities. These consequences would result from the fishery becoming more efficient, shifts in the timing of deliveries, and harvesters gaining bargaining power in relation to processors over ex-vessel prices (NRC 1999a).

These concerns have prompted interest in the creation of processor-quota shares which would be linked to the issuance of IFQs to harvesters. This linked IFQ and processor quota share is colloquially known as the "two-pie" system. The allocation of specific processing rights would provide a form of compensation to the potential adverse effects of shifts in market power or fishery practices that could occur under a harvester-based quota program. Unlike an IFQ which directly regulates the amount of harvest of the fishery resource by an individual, processor quota shares regulate the post-harvest use of the fishery resource, rather than directly regulating the publicly managed resource. The NRC notes that "on a national basis, the committee found no compelling reason to recommend the inclusion *or* exclusion of processors from eligibility to receive initial quota shares. Nor did the committee find a compelling reason to establish a separate, complementary processor quota system (the "two-pie" system) (NRC 1999a)."

The potential use and implementation of processor quota shares has been controversial. Unlike IFQs, there are no examples of two-pie fisheries available for analysis. Some have argued that the issuance of processor shares effectively corrects economic inequities that could be created with the issuance of IFQs to harvesters and effectively recognizes the capital investment of processing firms. Others argue that processor quota shares are not necessary given their perceived advantageous bargaining position relative to harvesters and that processors should effectively compete for product or purchase harvester IFQ if they wish to realize the benefits of

rights-based management.

Hybrid Programs

Components of IFQs, IPQs, community quota shares, and cooperatives could be integrated to form a hybrid form of rights-based management. Recently, the Council recommended such a hybrid approach in the BSAI crab fisheries. Under this program elements of IFQs, IPQs, and cooperatives are combined with regional processing requirements to address a wide range of social and economic considerations (available on the Council website at:

<http://www.fakr.noaa.gov/npfmc/>). A hybrid approach could provide a means to incorporate preferred elements of the various options described. However, incorporating these elements effectively could have additional complications in terms of effectively implementing these measures.

License Limitation Alternative

The Council approved a License Limitation Program for GOA and BSAI groundfish, and BSAI crab fisheries in 1995, and the program was implemented by NMFS in 2000. The LLP has been modified in the BSAI crab and groundfish fisheries, but not in the GOA. The final rule implementing the Council recommendations noted “the LLP is the first stage in fulfilling the Council’s commitment to develop a comprehensive and rational management program for the fisheries in and off Alaska (NMFS, 1998).” The LLP was envisioned as an interim step toward a more “rational,” presumably rights-based management regime. Concerns about the lack of consensus in the industry to proceed with an IFQ management approach generated increased support for the adoption of the LLP as an achievable interim measure.

The LLP limits access to the commercial groundfish fisheries in the EEZ off Alaska, except for demersal shelf rockfish east of 140° W. long. and sablefish managed under the IFQ Program. Halibut is exempt because it is not managed as a groundfish and is managed under the IFQ Program. The demersal shelf rockfish fishery is excluded from the LLP because general management of this fishery is deferred to the State of Alaska.

Essentially, the LLP, limits the number of vessels that can fish, but not the specific harvests from those vessels. As the NRC notes “license limitation alone is, at best, a short-term approach with short-term benefits. In the long run, the performance of a license limitation program depends on its use in combination with other management measures (NRC 1999a).” The NRC report does note that “[w]hen IFQs would be difficult to monitor and enforce, however, license limitation could be a viable alternative (NRC 1999a).”

The LLP builds on the vessel moratorium program implemented in 1996. Since implementation of the LLP in 2000, it has been modified to incorporate the scallop fishery, add specific gear designations to the existing LLP, and add additional recency requirements for the BSAI fixed gear Pacific cod fishery, and various BSAI crab fisheries. These modifications have further limited the number of vessels that can participate in these fisheries or the number of vessels that

can use specific gear in those fisheries.

At various points throughout the Council process, some industry participants have expressed a desire to continue to refine the LLP as a means to reduce the number of vessels, and indirectly, the potential capitalization in the GOA groundfish fisheries. Such an approach requires consideration about the criteria used to further limit the number of vessels and other factors that may need to be incorporated to address the Council's Problem Statement (Box 2) or objectives (Box 3). An LLP may offer the advantage of avoiding the controversy and difficulty of the initial allocation process associated with IFQ management. It may be effective if combined with other management measures, but may not directly address specific concerns of overcapitalization as effectively as IFQ's or other rights-based approaches. Because the LLP indirectly limits effort, it may be difficult to measure the potential effect of this tool on the overall capitalization in the GOA groundfish fishery.

Status Quo Alternative

The third alternative discussed so far, would be to maintain the existing management system for GOA groundfish fisheries. This system includes a complex mix measures including the halibut and sablefish IFQ Program, the LLP, and a variety of gear, time, and area restrictions. NEPA requires that a "no action" or status quo alternative be considered as a means of providing contrast and comparison to the proposed action and other reasonable alternatives.

Current regulations governing the GOA groundfish fishery are available through the NMFS website (<http://www.fakr.noaa.gov/>). Management measures included in the GOA FMP are available at the Council website (<http://www.fakr.noaa.gov/npfmc/FMP/FMP.htm>).

4.0 PUBLIC PARTICIPATION AND DECISIONMAKING

The public may wish to comments on general aspects of the alternatives (Box 5), or specific components within each of the alternatives (Box 6). The comments will help direct the Council's selection of the range of alternatives, and the specific issues that should be addressed within each of those alternatives. Public comments may include recommendations for additional alternatives, or options within a particular alternative.

BOX 5: Topics for Public Comment – Range of Alternatives General Issues

- What is the biggest problem facing the GOA groundfish fisheries ?
- (e.g., overcapitalization, Steller sea lion management restrictions,...)
- Does the Problem Statement adopted by the Council describe this problem?
(Box 2 – Problem Statement)
- Are the objectives for GOA groundfish rationalization appropriate (Box 3 – Objectives)?
- Do the alternatives already discussed address the problem facing GOA groundfish fisheries?
- Are there additional alternatives that should be considered—if so, what are they ?
(e.g., days-at-sea restrictions, trip limits)
- Will the alternatives have “spillover” effects on other fisheries—if so, how might those be addressed ?
- How should the alternatives address harvests of federally managed groundfish in State waters ?
(e.g., the “parallel” fishery)
- How will a specific alternative address changes that may occur in the future ?
(e.g., changing market conditions, additional conservation measures for protected species, stock dynamics,...) ?

Public participation in the SEIS process serves three main goals of NEPA, including: (1) providing the public with a better understanding of the proposed action, scope, and alternatives; and (2) providing NMFS and the Council with feedback on the adequacy of the scope and alternatives; and (3) highlighting important issues for analysis.

Once public comments have been gathered through public hearings, letters, and various Council meetings, NMFS will prepare a summary of those comments for consideration by the Council. Given the current deadline for public scoping, that document should be available for the December 2002 Council meeting. While the SEIS is the document that the Council will be using to guide decisionmaking, public involvement in the Council process is also necessary to ensure that the Council considers your particular options and alternatives. Box 7 provides the addresses and means for getting involved in this process. NMFS will post regular updates on its website (<http://www.fakr.noaa.gov/>) as the EIS proceeds.

BOX 6: Topics for Public Comment – Range of Alternatives Specific Issues

The public may wish to comment on specific topics of the rationalization alternative and the specific options under that broad alternative. Some ideas for consideration and possible options are provided in parentheses. This list is to help provide examples and is not exhaustive. Many of the topics addressed under IFQ's could also apply to the other options.

Rights-based Management Alternative and Options

Individual Fishing Quotas

- Who should receive an initial allocation of quota? (Vessel owners, crew; skippers; corporations;...)
- How should that quota be distributed? (Catch history; auction; years of participation;...)
- Should the quota be transferable? (Eligibility criteria to receive quota by transfer;...)
- Should there be limits on consolidation? (Caps--maximum percentage by quota holder;...)
- Would quota be allocated for bycatch species (quota for all catch; quota for target catch;...)
- How would the quota share limits be monitored? (Observers; Electronic monitoring; shorebased;...)
- Should conservation concerns be addressed? (Gear conversion requirements; spatial and temporal distribution requirements;...)
- Would there be provisions for new entrants? (Auction of portion of quota annually; loans;...)

Quotas for Communities

- Which communities should be eligible? (Participation; proximity to resource;...)
- Would allocation be fixed or transferable? (CDQ model; current IFQ Program;...)
- How would the community manage the quota? (Lease to residents; lease to others;...)
- Would there be oversight of management decisions? (CDQ model; current IFQ Program;...)

Cooperatives

- Would cooperatives incorporate processors? (Pacific whiting model; AFA "offshore" catcher vessel model; "inshore" catcher vessel model;...)

Processor Quota Shares

- Would processor quota share be allocated proportional to IFQ? (A one-to-one direct matching of shares; some ratio less than one-to-one;...)

Hybrid Programs

- Which rights-based options would be blended? (IFQ's and IPQ's "two-pie"; IFQ's, IPQ's, and Community Quotas "three-pie"; ...)

License Limitation Program (LLP) Modification Alternative

- How should the LLP be modified? (Additional recency requirements; gear restrictions; landing requirements; area restrictions;...)
- Which years should be used for modifying the LLP?
- Would other measures be incorporated in the LLP? (Vessel size restrictions; horsepower limits;...)

When commenting, it would be particularly helpful for the public to identify their preferred alternatives, the structure of that alternative, and why that alternative was chosen. Are there additional rationalization alternatives other than those considered here?

BOX 7: Contact Information for Public Process in GOA Rationalization SEIS

SEIS Public Scoping

- Public Hearings: The public hearings schedule is described in Box 1
- Written Comments: Send written comments on the scope, alternatives, and other issues to:
Sue Salvesson, Assistant Regional Administrator
Sustainable Fisheries, Alaska Region, NMFS
P.O. Box 21668
Juneau, Alaska 99802
- Fax Number: Comments are accepted via facsimile at:
(907) 587-7557
- Hand Delivered: Written Comments can be hand delivered at the Alaska Region office at:
Federal Building
709 West 9th Street
Juneau, Alaska

All written comments are due by November 15, 2002. Comments sent by email not accepted.

General Information

- NMFS Website: Information on the SEIS is available through the NMFS website at:
<http://www.fakr.noaa.gov> (Follow the “NEPA Analysis” Link)
- NMFS Staff: Specific questions on the SEIS process can be addressed to:
Glenn Merrill, Fishery Regulation Specialist
Sustainable Fisheries, Alaska Region, NMFS
P.O. Box 21668
Juneau, Alaska 99802
Tel: (907) 586-7228
Email: Glenn.Merrill@noaa.gov
- Council Website: Information on the Council GOA Work Group Committee, meeting schedules, agendas, and future SEIS drafts are at the Council website at:
<http://www.fakr.noaa.gov/npfmc/default.htm>
(Follow the “Groundfish Rationalization” Link)
- Council Staff: Specific questions on the Council process can be addressed to:
Jane DiCosimo, Senior Plan Coordinator
North Pacific Fishery Management Council
605 West 4th Street, Suite 306
Anchorage, Alaska 99501
Tel: (907) 271-2809
Email: Jane.DiCosimo@noaa.gov

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